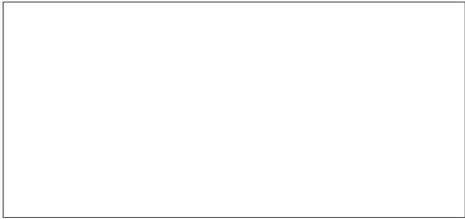


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CENTRAL INTELLIGENCE BULLETIN

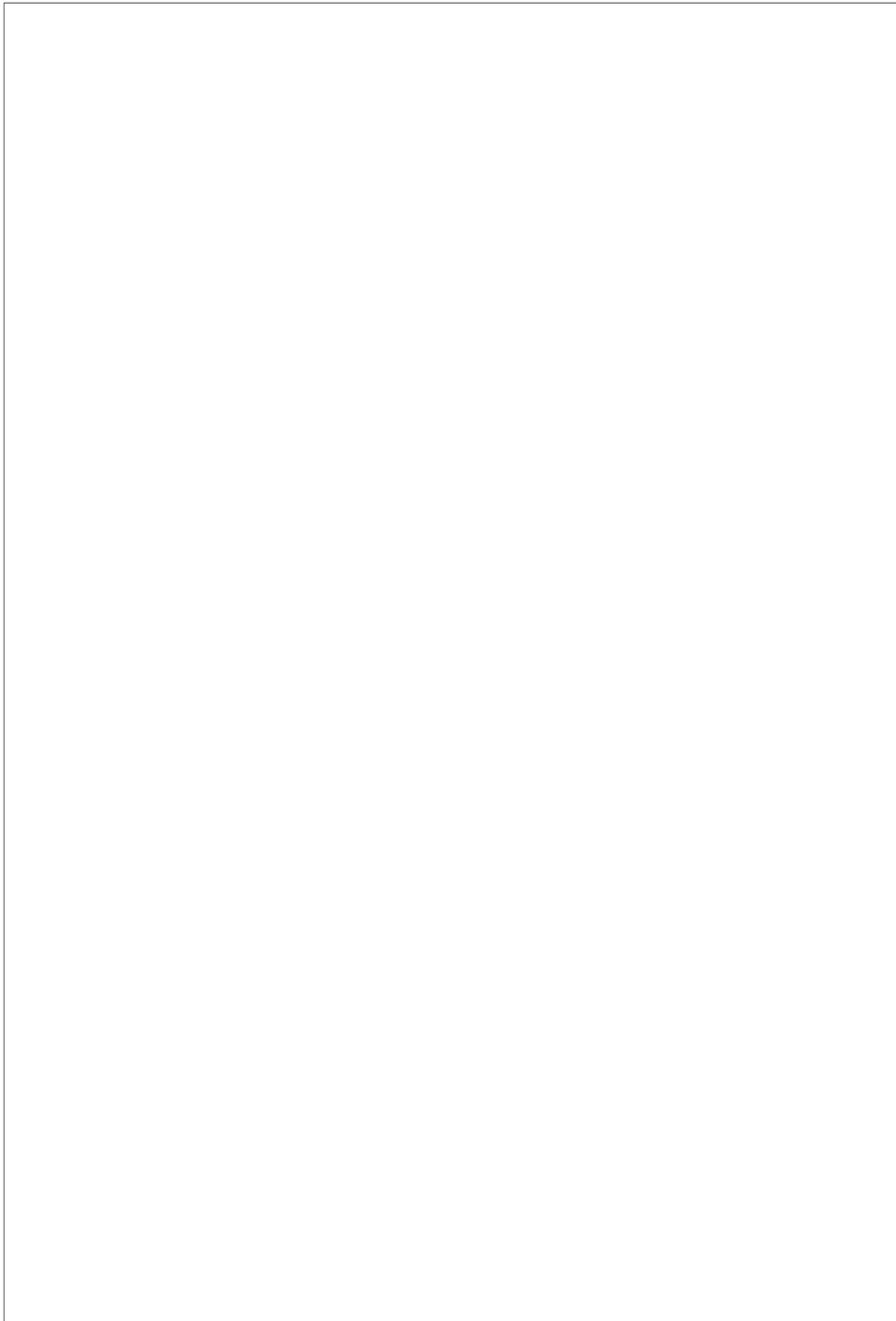


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2 SEPTEMBER 1960

I. THE COMMUNIST BLOC

Soviet and Communist Chinese press articles make veiled references to economic sanctions. ①

Khrushchev bids to influence Japan's elections by hinting at concessions on Kurils. ②

II. ASIA-AFRICA

India--Krishna Menon considering sending military mission to Moscow to seek data on helicopters and other equipment. ③

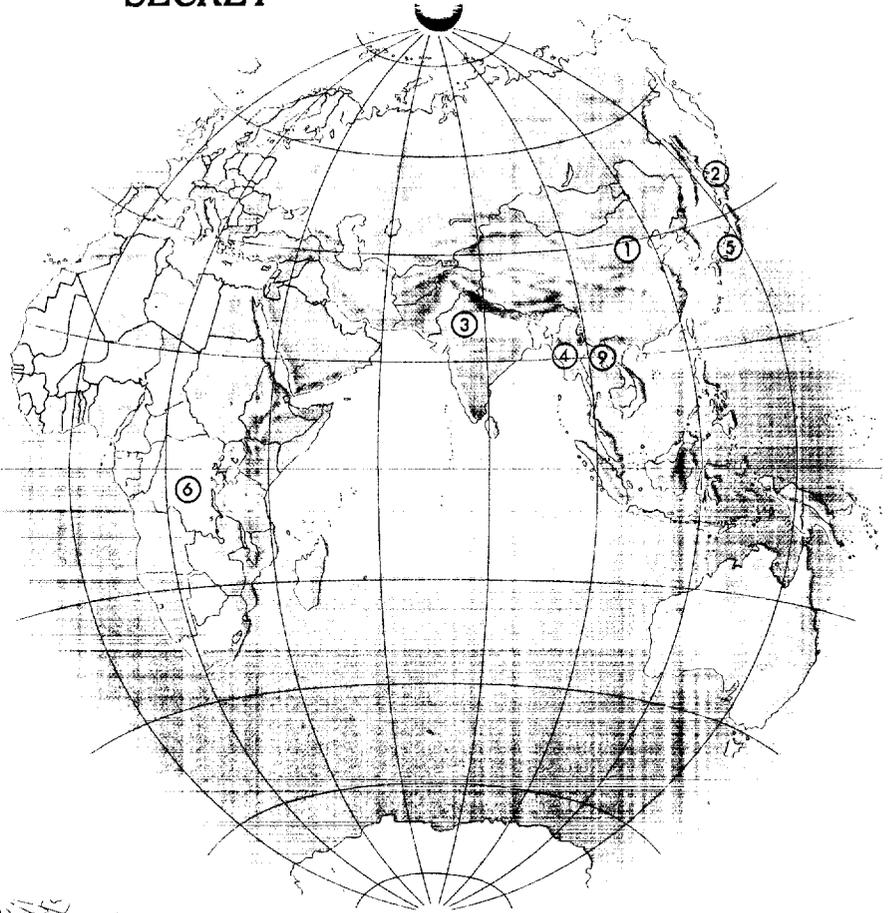
Burmese Army leaders dissatisfied with Nu government. ④

Japanese Government may ask cancellation of Dutch aircraft carrier visit. ⑤

Situation in the Congo. ⑥

III. THE WEST

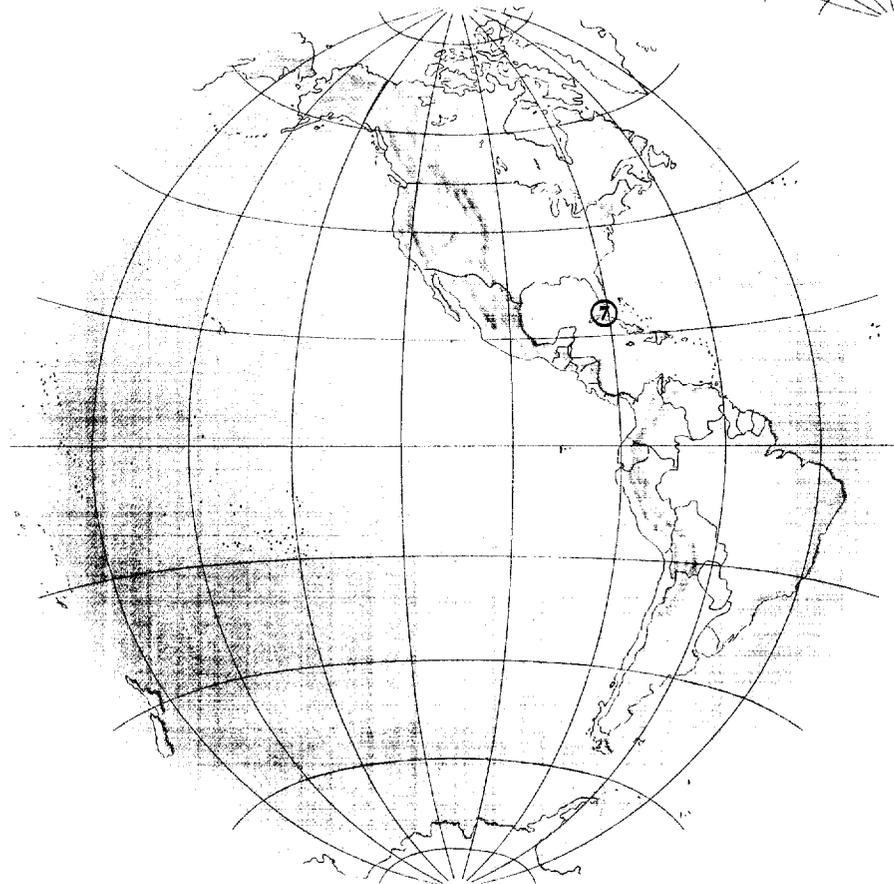
Cuba seizes additional US-owned businesses; threatens seizure of remainder. ⑦



LATE ITEMS

⑧ East Germany may continue travel curbs after 4 September, possibly hoping to reduce refugee flow.

⑨ Situation in Laos.

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CENTRAL INTELLIGENCE BULLETIN

2 September 1960

DAILY BRIEF

I. THE COMMUNIST BLOC

Communist China - Bloc: Soviet and Chinese Communist press articles in recent weeks have made veiled references to the prospect of Soviet economic sanctions against China. The Soviet provincial press has on at least two occasions in the past month mentioned China specifically as an example of progress through aid and commented that such progress would be unimaginable "if this country were to be isolated." *OK*

On 13 August, the Peiping People's Daily asserted that China had made progress despite American economic sanctions and declared that it was improper to "merely stretch out our hand for aid and seek a quick and easy way." In a disparaging reference to the USSR's head start in industrialization, the article referred to Mao's observation that "those who come last take the top position" and averred that Communists should not begrudge the top position to latecomers.

[redacted] (Page 1)

USSR-Japan: According to press reports, Khrushchev hinted to visiting Japanese Socialist leaders in Moscow on 29 August that the USSR would be willing to return the southern Kuril islands if Japan abrogated its security treaty with the United States and became a "truly neutral nation." Moscow has hitherto taken the position that these islands were awarded to the USSR by the Yalta and Potsdam agreements and that their status is not negotiable. Foreign Minister Kosaka has responded by asserting that the Kurils are an integral part of Japanese territory and that Japanese security ties are a domestic matter not subject to foreign interference. If these press reports are accurate, Khrushchev's offer is a bid to influence the forthcoming parliamentary elections in Japan by hinting at Soviet readiness to make concessions on the long-deadlocked territorial issue to a Japanese government committed to a neutralist policy. *OK*
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[redacted] (Page 2) (Map)

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Congo: UN observers in Katanga believe President Tshombe must face the possibility of a tribal uprising in northern Katanga if and when Premier Lumumba launches an invasion. The efforts of a Katanga delegation to secure assistance in Western Europe appear to be unsuccessful.

The central committee of President Kasavubu's Abako party is again planning to attempt the early overthrow of Lumumba, [redacted]. The committee is reported pressing Kasavubu to summon Lumumba and force him to reshuffle his cabinet or resign. Abako claims the support of major tribal groups in the western Congo, several prominent politicians, and a few dissatisfied senators from Lumumba's party. The committee is said to be considering the assassination of Lumumba and to have threatened to kill Kasavubu's family if he does not cooperate. [redacted]

III. THE WEST

Cuba: Armed Forces Minister Raul Castro told a labor rally early on 1 September that American private businesses remaining in Cuba will be seized one by one "until we eliminate the last rusty tentacle of colonialism". Later on the same day, Castro seized US-owned tire and rubber companies valued at about \$30,000,000. The mass rally scheduled by Fidel Castro for 2 September "to give Cuba's answer" to the recent OAS meeting may be the occasion to announce further seizures. [redacted] Castro will at that time announce the nationalization of the local branches of American banks. Of approximately \$1,000,000,000 in private American investment in Cuba when Castro came to power, only some \$150,000,000 remains in US hands. [redacted]

2 Sept 60

DAILY BRIEF

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II. ASIA-AFRICA

India-USSR: Defense Minister Krishna Menon reportedly is considering sending a military mission to Moscow for further evaluation of Soviet helicopters as well as to observe other types of military equipment. The three Indian military services strongly oppose the proposal, [as they did the purchase of one Hound (MI-4) helicopter in August and Menon's interest in buying five or more of these Soviet craft.] Nehru has used every opportunity recently to demonstrate New Delhi's cordial relations with Moscow as a means of influencing Peiping. While it is doubtful that he would feel that a reversal of India's general policy against procurement of Soviet arms is warranted now by either political or military considerations, he might approve the purchase of additional helicopters. [redacted] (Page 4)

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Burma: [Army leaders in Burma are becoming increasingly dissatisfied with the government of Prime Minister Nu, and may be considering action to resume control of the government. They are reported preparing to press former Prime Minister General Ne Win to take action because of their discontent with the present inept administration and fear of possible attempts by Nu's government to undermine army solidarity. Ne Win, who returned the country to civilian control in April, over army protests, has asked for a conference with U Nu to discuss the situation. Despite increasing pressure from his subordinates, Ne Win will probably be able to forestall army intervention for some time.] [redacted] (Page 5)

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Japan-Indonesia: [The Ikeda government may request the cancellation of the visit of the Dutch aircraft carrier Karel Doorman as a result of Indonesia's threat to withdraw its ambassador from Tokyo and the likelihood of reprisals against Japanese commercial interests. Tokyo is under considerable pressure to maintain the position of Japanese business in Indonesia. A breach in relations could adversely affect Ikeda's prospects in the forthcoming general elections this fall.] [redacted]

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DAILY BRIEF

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IV. WATCH COMMITTEE CONCLUSIONS

[Paragraph C of the Watch Committee Conclusions, published in the Central Intelligence Bulletin of 1 September, has been amended in view of late information to read as follows:]

[The new Souvanna Phouma cabinet, comprising supporters of both General Phoumi and Souvanna, appears to be acceptable to Lao officials. The new Laotian Government will probably adopt neutralist policies which would afford opportunities for increased Communist presence in Laos. If Kong Le feels that the coup program is not being carried out by the new government, he may seek an alliance with the Pathet Lao and thus pose a political and military threat to the stability of the country.]

V. SIGNIFICANT INTELLIGENCE REPORTS AND ESTIMATES

(Available during the preceding week)

Outlook for the Sudan: Stability of the Abboud Regime; Likely Trends in Foreign Policy; and Economic Prospects. NIE 72.1-60. 30 August 1960.

LATE ITEMS

*East Germany: The remarks of East German Deputy Foreign Minister Otto Winzer on 31 August suggest that the regime will continue its present curbs on West German travel to Berlin even after expiration of the five-day period (31 August - 4 September) stipulated in the 30 August declaration. East German border guards and police are exercising increasingly strict controls

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2 Sept 60

DAILY BRIEF

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over West German civilian travel to West Berlin at main border crossing points and over East Germans desiring to enter Berlin. As a countermeasure the West Berlin Government has announced, according to press reports, that it will fly free into the city all West Germans prevented from making the trip by East German border guards. One of the purposes of the regime's move against West Berlin may be to reduce the East German refugee flow through the city. During the week ending 30 August, 4,544 East German refugees arrived there, the third highest total for any week since 1955. [redacted] (Page 6)

*Situation in Laos as of 2345 EDT: The response of the Pathet Lao to Premier-designate Souvanna Phouma's compromise government appears to be the one missing element in the negotiations for a return to normal government conditions in Laos. In order to promote successful negotiations, Prince Souvanna Phouma has ordered Royal Laotian Army units not to fire upon the Pathet Lao. He has already held one meeting with Pathet Lao representatives, including Prince Souphanouvong's wife and his former chief advisor, in Vientiane and has urged Pathet Lao leaders to renew their previous trust in him, send representatives to Vientiane for discussions, and "end the civil war and killing among all Laotians." So far, there has been no response from the Pathet Lao in the jungle.

In other areas of negotiations, coup leader Captain Kong Le has reaffirmed his acceptance of the new cabinet, including General Phoumi, and announced the transfer of all administrative authority in Vientiane to Prince Souvanna Phouma; General Phoumi, Vice-Premier and Interior Minister-designate, has abolished his Counter Coup Committee, pledged support to the new government, and urged reconciliation with Kong Le; and the entire cabinet has been formally presented to the king in Luang Prabang. On 2 September, the assembly and cabinet, with the exception of General Phoumi, are returning to Vientiane for formal investiture. [redacted]

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DAILY BRIEF

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Moscow and Peiping Hint at Soviet Economic Sanctions
Against China

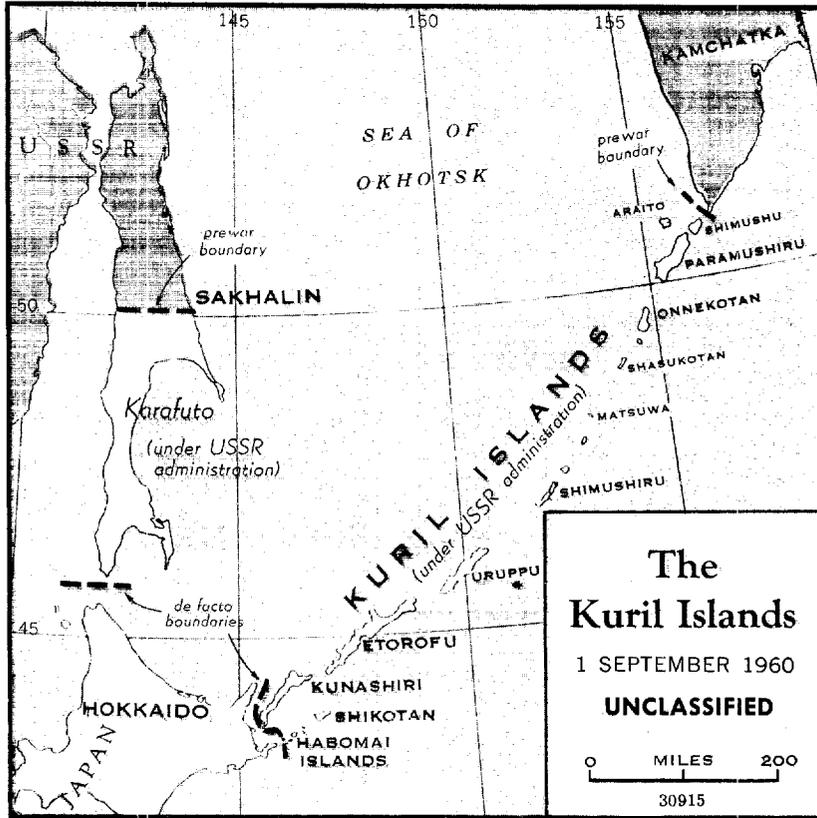
Soviet and Chinese Communist press articles in recent weeks have made veiled references to the prospect of Soviet economic sanctions against China. The Soviet provincial press has on at least two occasions this past month mentioned China specifically as an example of progress through aid and commented that such progress would be unimaginable "if this country were to be isolated."

In a recently translated Peiping People's Daily article of 13 August the Chinese linked a strong appeal for self-reliance with implicit criticism of the Soviet Union. The article asserted that China had made progress despite American economic sanctions and declared that it was improper to "merely stretch out our hand for aid and seek a quick and easy way." China had begun its progress with bare hands, the article concluded, and must continue to rely on its own efforts.

The article angrily criticized those who opposed China's efforts through "leap forward" and the communes to advance quickly toward Communism. In a possible allusion to the USSR's head start in industrialization, the article cited Mao's observation that "those who come last take the top position" and averred that Communists should not begrudge the top position to latecomers.

An intimation that China's continued opposition to Soviet policies could lead to its exclusion from the socialist camp appeared in the 25 August issue of a Bulgarian farm newspaper. Citing the Yugoslav case as an object lesson for today as well as in the future, the newspaper warned that any "individual people" who left the bloc would inevitably be attacked and destroyed by imperialism.

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Khrushchev Hints at Possible Return of Southern Kurils

According to press reports, Soviet Premier Khrushchev hinted to visiting Japanese Socialist leaders in Moscow on 29 August that the USSR would be willing to return the southern Kuril islands if Japan abrogated its security treaty with the United States and became a "truly neutral nation." Moscow has hitherto taken the position that these islands were awarded to the USSR by the Yalta and Potsdam agreements and that their status is not negotiable.

When the USSR and Japan resumed diplomatic relations in October 1956, Moscow pledged to return Habomai and Shikotan to Japan after the conclusion of a peace treaty. The Soviet Union, however, withdrew this pledge in reprisal against the signing of the US-Japanese security treaty in late January 1960. Tokyo considers Habomai and Shikotan, small islands off the northern coast of Hokkaido, relatively insignificant and has always predicated a formal peace treaty on the return of at least the major Soviet-occupied southern Kuril islands--Etorofu and Kunashiri.

Japanese Foreign Minister Kosaka has publicly characterized Khrushchev's hint concerning the Kuril Islands as "incomprehensible" since the islands are an "integral part" of Japanese territory. Kosaka reaffirmed Tokyo's long-standing position that Soviet attempts to make a peace treaty contingent on the abrogation of Japan's security ties with the United States represent unwarranted interference in Japanese internal affairs. A leading newspaper editorially described the statement as a tactic to assist Japanese leftists.

The Japanese claim to the southern Kuril islands has broad political support, except for the Japanese Communist party. This was underscored by the reported assertion of Mosaburo Suzuki, the Socialist visitor to whom Khrushchev spoke, that the demand for the return of the islands came from the whole nation. Chief Cabinet Secretary Ohira told the press he was not interested in the details of the Soviet premier's statement and would not question Suzuki when he returned to Tokyo.

If the press reports are accurate, Khrushchev's offer is a bid to sway Japanese public opinion prior to the forthcoming parliamentary

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elections by suggesting Soviet readiness to make concessions to a Japanese government inclined to a more neutralist policy. Khrushchev probably also hopes to use the issue as a means of creating pressure on the Ikeda government to demand the return of the American-occupied Ryukyu Islands. []

With the exception of some early-warning facilities, all significant Soviet land, naval, and air forces were withdrawn from the southern Kurils early this summer. []



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Menon Considering Military Mission to Moscow

Defense Minister Krishna Menon is reportedly considering the dispatch of a military mission to Moscow to continue evaluation of Soviet helicopters and to observe the characteristics of other types of Soviet military equipment. All three military services are opposed to the proposal [on the same grounds that they opposed his purchase of one MI-4 (Hound) demonstrator in early August and his desire to buy five or more additional Hound helicopters--i. e.] their concern about complicating India's spare-parts situation.

Menon may get his way on the purchase of additional helicopters from the USSR. [This model alone has demonstrated it can meet payload and altitude requirements for use in the Himalayan border region.] It costs less than competing Western models, and can be bought without outlay of scarce foreign exchange.

Menon is not likely to make much headway with his cabinet colleagues, however, in his apparent attempt to broaden the scope of Indian procurement from the Soviet Union. Such a decision would represent a major reversal of India's general policy of procuring military hardware from Western sources only. It is doubtful that Prime Minister Nehru, despite his recent efforts to exert pressure on Peiping by demonstrating continued Indo-Soviet cooperation, would feel that such a reversal is warranted at this time. Nehru would probably calculate that adverse political reactions at home and abroad would outweigh any military or economic advantages.

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~~SECRET~~Burmese Army Leaders Restless Under U Nu Government

[Army discontent with Burmese Prime Minister U Nu's governmental policies and inept administration has grown to the point where military leaders are considering direct action to resume control of the government. Although Nu has been extremely careful to avoid direct interference with army personnel or programs, his government has countermanded as many as possible of the army's reforms and has allowed the administration to sink back into stagnant inefficiency. The army fears that the ruling Union party may try to undermine army solidarity and influence by creating party units within the army or by developing the police as a partisan counterforce. Army leaders intend to press former Prime Minister General Ne Win to take action to halt the country's political and economic deterioration.]

[General Ne Win, who overrode army protests when he allowed U Nu to resume the prime ministership in April, is reported to have lost some of his control over the army during his recent three-month visit to the United States and Europe. He has asked U Nu for a conference to discuss the country's deterioration and is likely to warn Nu of the growing dissatisfaction. It is unlikely, however, that he would approve any army action to take over the government at this time. Aside from his personal distaste for political office, Ne Win recognizes both the army's unpopularity and U Nu's tremendous personal following. Even the army rank and file is reported to have voted overwhelmingly for Nu in the February elections.]

[Prime Minister Nu may attempt to tighten up his administration following warnings from General Ne Win. If he does, however, he will face threats of revolt from within his own party, which is a loose coalition of divergent factions. He has been shown to have little influence over his following since he resumed control of the government.]

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East Germans Threaten Continued Ban on Travel of West German "Revanchists" to Berlin

In a press interview of 31 August, East German Deputy Foreign Minister Otto Winzer reasserted the Ulbricht regime's claim to the right to control traffic on Berlin access routes, suggesting that travel restrictions to West Berlin will continue even after the expiration of the five-day period (31 August - 4 September) stipulated in the 30 August declaration of the East German Council of Ministers. Winzer reiterated the regime's standard position that East Germany is a "sovereign state in which and for which occupation rights have ceased to exist," and added that the basic quadripartite agreement of 4 May 1949 does not guarantee "free traffic to and from Berlin." Winzer denied, however, that current measures are intended to disrupt traffic to West Berlin, perhaps to dispel any speculation that a blockade is intended.

The regime is exercising increasingly strict controls over West German civilian travel to West Berlin, and West Germans are being barred from East Berlin. There are reports that a number of passengers have canceled their airplane reservations to attend the meetings of West German refugee associations which furnished the pretext for East German action. Nevertheless, Bonn authorities still anticipate that some 200 West German officials, including 50 members of the Bundestag, will attend the main rally on 4 September.

There continue to be strong indications that one major purpose of the regime's move against West Berlin may be to reduce the East German refugee flow through the city. Refugees arriving in West Berlin have reported that members of East German paramilitary organizations are assisting civil police in examining credentials of persons traveling to Berlin. The refugee flow, which includes a high proportion of intellectuals, has mounted during the summer to a peak of 4,544 during the week ending 30 August--this is 510 more than the preceding week, 1,721 over the corresponding week of a year ago, and the third highest week since 1955.

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[redacted] the regime is requiring daily reports on the reactions of the populace to the new security measures. Initial responses are inconclusive, although [redacted] [redacted] agitators posted in railroad stations noted that people were ignoring the subject of "revanchists" in favor of that of the Olympic Games. [redacted]

Moscow and its satellites are providing full propaganda support for the East German moves. Soviet commentators welcome the East German declaration as a timely warning to the Western powers and agree that use of Berlin for provocations against the bloc cannot be tolerated. Broadcasts to internal and external audiences also stress that "outbursts of West German revenge seekers" have become increasingly violent over the past week.

[redacted] the psychological effects of the East German actions may damage West Berlin's economy. Stressing that the Communists were obviously testing Western reactions, Brandt emphasized that their future use of this tactic depended on the firmness of the Allies in this case. West Berlin officials, however, have decided against retaliatory measures, including interzonal trade sanctions, on grounds that they are likely to lead to more serious counter-measures by the East Germans. In the meantime, the West Berlin Government has offered, according to press reports, to fly free into the city West Germans prevented from making the trip by East German border guards. [redacted]

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Special Assistant for National Security Affairs

Scientific Adviser to the President

Director of the Budget

Director, Office of Civil and Defense Mobilization

Director, National Aeronautics and Space Administration

Special Assistant for Security Operations Coordination

Chairman, Board of Consultants on Foreign Intelligence Activities

Special Assistant for Foreign Economic Policy

Executive Secretary, National Security Council

The Treasury Department

The Secretary of the Treasury

The Department of State

The Secretary of State

The Under Secretary of State

The Under Secretary of State for Political Affairs

The Deputy Under Secretary of State for Political Affairs

The Deputy Under Secretary of State for Administration

The Counselor

Director, International Cooperation Administration

The Director of Intelligence and Research

The Department of Defense

The Secretary of Defense

The Deputy Secretary of Defense

Assistant Secretary of Defense for International Security Affairs

The Secretary of the Army

The Secretary of the Navy

The Secretary of the Air Force

The Chairman, The Joint Chiefs of Staff

The Director, The Joint Staff

Chief of Staff, United States Army

Chief of Naval Operations, United States Navy

Chief of Staff, United States Air Force

Commandant, United States Marine Corps

Assistant to Secretary of Defense for Special Operations

Director for Intelligence, The Joint Staff

Assistant Chief of Staff for Intelligence, Department of Army

Director of Naval Intelligence, Department of Navy

Assistant Chief of Staff, Intelligence, Department of the Air Force

Supreme Allied Commander, Europe

Commander in Chief, Pacific

The Department of Commerce

The Secretary of Commerce

Federal Bureau of Investigation

The Director

Atomic Energy Commission

The Chairman

National Security Agency

The Director

National Indications Center

The Director

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